

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2653-03
Bill No.: HCS for HB 1357
Subject: Courts; Liability
Type: Original
Date: April 24, 2015

Bill Summary: This proposal modifies provisions relating to punitive damages.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$283,232)	(\$302,285)	(\$306,027)
Total Estimated Net Effect on General Revenue	(\$283,232)	(\$302,285)	(\$306,027)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Tort Victims' Compensation Fund	\$0 to \$217,763	\$0 to \$217,763	\$0 to \$217,763
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to \$217,763	\$0 to \$217,763	\$0 to \$217,763

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	4 FTE	4 FTE	4 FTE
Total Estimated Net Effect on FTE	4 FTE	4 FTE	4 FTE

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** prepared the fiscal note for the original bill without some agency responses, and reflected “Unknown” impact to the Tort Victims Compensation Fund for this program. Oversight has since received responses from the impacted agencies and has incorporated their estimates on impact to that Fund and their estimates on administrative impacts due to the committee substitute into this fiscal note.

Officials at the **Office of the Attorney General (AGO)** assumes this proposal authorizes the AGO with the sole jurisdiction to prosecute the amount of punitive damages in every case throughout the state wherein punitive damages are in controversy. Although the exact number of cases and the amount of potential recovery of costs is unknown, the AGO anticipates that there could be a significant number of new cases that it would handle as the result of this proposal. Those cases would require significant investigation and detailed preparation for litigation. Accordingly, while the precise fiscal impact is unknown, the AGO estimates that it would require at least an additional 3 FTE Assistant Attorney Generals (AAG I) and 1 FTE paralegal. The AGO may seek additional appropriations if the workload created by this proposal necessitates additional resources.

Officials at the **Department of Labor and Industrial Relations (DOLIR)** estimate that the AGO's expenses will amount to 10% of the judgment, on average, so the amount deposited to the Tort Victims' Compensation Fund (TVCF) could be up to 75% of the judgment. Assuming that punitive damages awards triggering Section 537.675 will remain consistent with the annual average of the last 10 years of \$871,053, DOLIR estimates that 25% of this average, or \$217,763 in additional funding could be deposited to the TVCF annually.

However, this assumption is subject to significant question because the increased reduction of punitive damages awards going to the parties to the suit will further encourage settlements, meaning fewer cases will go to trial with resulting punitive damages awards and cases that do result in punitive damages awards will result in post-trial settlements that give up the right to the punitive damages award.

Therefore, DOLIR estimates the fiscal impact of \$0 - \$217,763 in the TVCF. In each fiscal year, 26% of the awards received are transferred to the Basic Civil Legal Services Fund and 74% is distributed to uncompensated tort victims. If there is an increase in the Tort Victims' Compensation Fund collections, additional funding will be available for individuals seeking legal services and for uncompensated tort victims.

ASSUMPTION (continued)

Officials at the **Department of Corrections**, the **Office of the State Treasurer**, the **Office of Prosecution Services**, the **Office of the State Courts Administrator** and the **Office of Administration's Division of Accounting and Division of General Services** each assume no fiscal impact to their respective agencies from this proposal.

In response to a previous version, officials at **Office of the State Public Defender** assumed no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Cost - AGO</u>			
Personal Service	(\$138,042)	(\$167,307)	(\$168,980)
Fringe Benefits	(\$71,789)	(\$87,008)	(\$87,878)
Equipment and Expense	(\$73,401)	(\$47,970)	(\$49,169)
<u>Total Costs - AGO</u>	<u>(\$283,232)</u>	<u>(\$302,285)</u>	<u>(\$306,027)</u>
FTE Change - AGO	4 FTE	4 FTE	4 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$283,232)</u>	<u>(\$302,285)</u>	<u>(\$306,027)</u>
Estimated Net FTE Change for General Revenue Fund	4 FTE	4 FTE	4 FTE
TORT VICTIMS' COMPENSATION FUND			
<u>Revenue</u> - increase to fund from punitive damage award amounts	<u>\$0 to \$217,763</u>	<u>\$0 to \$217,763</u>	<u>\$0 to \$217,763</u>
ESTIMATED NET EFFECT ON TORT VICTIMS' COMPENSATION FUND	<u>\$0 to \$217,763</u>	<u>\$0 to \$217,763</u>	<u>\$0 to \$217,763</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

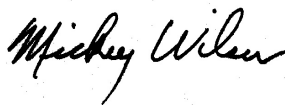
FISCAL DESCRIPTION

This bill gives the Office of the Attorney General sole jurisdiction to prosecute the punitive damages phase of a trial as a separate case in front of a new jury. All monies collected from this stage will be deposited into the Missouri Tort Victims Compensation Fund.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Attorney General
Office of the State Courts Administrator
Office of the State Public Defender
Office of Prosecution Services
Department of Labor and Industrial Relations
Office of Administration
 Division of Accounting
 Division of General Services
Department of Corrections
Office of the State Treasurer



Mickey Wilson, CPA

Ross Strobe

L.R. No. 2653-03
Bill No. HCS for HB 1357
Page 6 of 6
April 24, 2015

Director
April 24, 2015

Assistant Director
April 24, 2015